

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name COMMUNITY FIRE ASSOCIATION	County MONTCALM
Audit Date 4/30/05	Opinion Date 9/27/05	Date Accountant Report Submitted to State: 10/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPAS			
Street Address 60 HARROW LANE	City SAGINAW	State MI	ZIP 48638
Accountant Signature <i>Kenneth A. Berthiaume</i>		Date <i>10-31-05</i>	

COMMUNITY FIRE ASSOCIATION
Stanton, Michigan

FINANCIAL STATEMENTS
April 30, 2005

COMMUNITY FIRE ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Community Fire Association
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Association, as of and for the year ended April 30, 2005, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Community Fire Association management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Community Fire Authority, as of April 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

As described in Note 14, the Association has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements as of May 1, 2004.

Berthiaume & Co.

September 27, 2005

COMMUNITY FIRE ASSOCIATION

GOVERNMENTAL FUND BALANCE SHEET/ STATEMENT OF NET ASSETS

April 30, 2005

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets
ASSETS:			
Cash and cash equivalents	\$ 88,062	\$ -	\$ 88,062
Capital asses, net of accumulated depreciation:			
Assets being depreciated	-	248,138	248,138
Total assets	88,062	248,138	336,200
LIABILITIES & FUND EQUITY:			
<i>Liabilities:</i>			
Accounts payable	5,692	-	5,692
Total liabilities	5,692	-	5,692
<i>Fund Balances:</i>			
Unreserved/undesignated	82,370	(82,370)	-
Total fund equity	\$ 88,062		
<i>Net Assets:</i>			
Invested in capital assets, net of related debt		248,138	248,138
Unrestricted		82,370	82,370
Total net assets		\$ 330,508	\$ 330,508

See Notes to Financial Statements

COMMUNITY FIRE ASSOCIATION

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/ STATEMENT OF ACTIVITIES

For the Year Ended April 30, 2005

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets
REVENUES:			
Fire protection fees	\$ 52,800	\$ -	\$ 52,800
Contributions and donations	100	-	100
Interest	2,122	-	2,122
Reimbursements	14	-	14
Total revenues	55,036	-	55,036
EXPENDITURES/EXPENSES:			
Operations	35,685	-	35,685
Depreciation	-	11,160	11,160
Capital outlay	5,035	-	5,035
Total expenditures/expenses	40,720	11,160	51,880
Excess of revenues over expenditures/expenses	14,316	(11,160)	3,156
Fund balance/net assets, beginning of year	68,054	259,298	327,352
Fund balance/net assets, end of year	\$ 82,370	\$ 248,138	\$ 330,508

See Notes to Financial Statements

COMMUNITY FIRE ASSOCIATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE SIN FUND BALANCE – BUDGET AND ACTUAL

For the Year Ended April 30, 2005

	Original/ Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fire protection fees	\$ 44,000	\$ 52,800	\$ 8,800
Contributions and donations	-	100	100
Interest	-	2,122	2,122
Reimbursements	-	14	14
Total revenues	44,000	55,036	11,036
EXPENDITURES:			
Operations	-	35,685	-
Capital outlay	-	5,035	-
Total expenditures/expenses	44,000	40,720	3,280
Excess of revenues over expenditures/expenses	-	14,314	14,314
Fund balance, beginning of year	68,054	68,054	-
Fund balance, end of year	\$ 68,054	\$ 82,370	\$ 14,314

See Notes to Financial Statements

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

April 30, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE REPORTING ENTITY:

The Community Fire Association (the "Association"), was established in 1982 under Public Act 7 of 1967. It is a joint Association created by contractual agreement between the City of Stanton and the Townships of Douglas, Evergreen, and Sidney of Montcalm County.

The Association has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

The accounting policies of the Community Fire Association conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances. The Association's major funds are reported in separate columns in the aforementioned financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tri-party contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Association considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2005

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The **General Fund** is the principal operating fund of the Association. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity, if any, has been eliminated from the government-wide financial statements.

BUDGETARY INFORMATION:

Comparisons to budget are presented for the General Fund as required by generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Association. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrance accounting is not utilized by the Association.

DEPOSITS AND INVESTMENTS:

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts, and certificates of deposit with an original maturity date less than 90 days from the original issue date.

State statutes authorize the Association to invest surplus funds in certificates of deposit, savings accounts, and deposit accounts with banks and savings and loan associations which are members of FDIC, credit unions which are insured by NCUA, bonds, bills or notes of the U.S., commercial paper rated within the 3 highest classifications established, U.S. or federal agency obligation repurchase agreements, bankers' acceptances and mutual funds composed entirely of the aforementioned investments that are legal for direct investment by an Association.

Investments, if any, are carried at fair value.

CAPITAL ASSETS:

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2005

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Vehicles and equipment	25 to 40

NOTE 2: DEPOSITS

At year end, the carrying amounts and bank balance of the Association deposits were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking account	\$ 15,761	\$ 16,108
Savings accounts / certificates of deposit	72,301	72,301
	<u>\$ 88,062</u>	<u>\$ 88,409</u>

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 88,062	\$ 88,409
Uninsured, uncollateralized	-	-
	<u>\$ 88,062</u>	<u>\$ 88,409</u>

The Association's deposits are in accordance with statutory authority.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2005

NOTE 3: CAPITAL ASSETS

Capital asset activity of the Association's governmental activities for the year was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Vehicles and equipment	358,990	-	-	358,990
Total capital assets being depreciated	358,990	-	-	358,990
Less accumulated depreciation:				
Vehicles and equipment	99,692	11,160	-	110,852
Total accumulated depreciation	99,692	11,160	-	110,852
Capital assets being depreciated, net	259,298	11,160	-	248,138
Governmental activities capital assets, net	\$ 259,298	\$ 11,160	\$ -	\$ 248,138

NOTE 4: RISK MANAGEMENT

The Association is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2005

NOTE 5: EXCESS EXPENDITURES OVER BUDGET

The General Fund had no excesses of expenditures over appropriations at the legal level of budgetary control.

NOTE 6: RESTATEMENTS

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS:

As of and for the year ended April 30, 2005, the Association implemented Governmental Accounting Standards Board pronouncement:

Statements:

- No. 34 – *Basic Financial Statements – And Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation:

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. The Association was required to implement the new requirements no later than the current fiscal year ending April 30, 2005.

The more significant of the changes required by the new standards include:

- Management’s discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

COMMUNITY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

April 30, 2005

As a result of implementing these pronouncements for the fiscal year ended April 30, 2005, the following restatements were made to beginning net assets:

Government-wide Financial Statements:

Beginning net assets for governmental activities were determined as follows:

Fund balances of general and capital products funds as of 4/30/04	\$ 68,054
Add: governmental capital assets, including general fixed assets, as of 4/30/04	358,990
Deduct: accumulated depreciation as of 4/30/04 on above governmental capital assets	<u>(99,690)</u>
Governmental net assets, restated, as of 4/30/04	<u><u>\$ 327,352</u></u>

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MANAGEMENT LETTER

To the Community Fire Association
Stanton, Michigan

We have completed our audit of the financial statements of the Community Fire Association for the year ended April 30, 2005, and have issued our report thereon dated September 27, 2005. As part of our examination, we made a study and evaluation of the Association's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Association's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Association's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Community Fire Association taken as a whole. Our study and evaluation disclosed no conditions that we believe to be material weaknesses. However, we note the following:

Investment Policy:

Michigan Public Act 196 of 1997, requires that all governmental units to adopt an investment policy in the prescribed format. The Community Fire Association has not adopted an investment policy as required. We recommend that the Fire Association adopt an investment policy.

This report is intended solely for the use of the Fire Association management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our examination.

Sincerely,

A handwritten signature in cursive script that reads "Berthiaume & Co.".

Berthiaume & Company
Certified Public Accountants

September 27, 2005